

MONEYPLU\$ Health Savings Accounts

Health Savings Accounts (HSAs) are great news for employees. An HSA allows participants to pay qualified medical expenses with pre-tax dollars!

**For the
State of
South Carolina**

What is a Health Savings Account?

Providing economical health care in the face of rising costs is a major issue facing the nation. As part of an effort to meet this challenge, the Employee Insurance Program (EIP) offers the State Health Plan Savings Plan coupled with a Health Savings Account (HSA). This option enables subscribers who are willing to take greater responsibility for their medical care the opportunity to reduce their insurance premiums and set aside money for qualified medical expenses.

A Health Savings Account is a tax-free account that can be used to pay health care expenses. Unlike money in a MONEYPLU\$ Medical Spending Account, the funds do not have to be spent in the plan year they are deposited. Money in the account, including interest, accumulates tax-free, so the funds can be used to pay qualified medical expenses in the future.¹ An important advantage of an HSA is that it is owned by the employee. If you leave your job, you can take the account with you and continue to use it for qualified medical expenses.

Who is eligible to contribute to a MONEYPLU\$ HSA?

- Employees covered by the State Health Plan Savings Plan, which is a high deductible health plan
- Employees cannot be covered by any other type of health plan, including Medicare. (However, they may be covered for specific injuries, accidents, disability, dental care, vision care and long-term care.)
- Participants cannot be claimed as a dependent on another person's tax return

How much may I contribute to my HSA?

If you enroll in the MONEYPLU\$ HSA, your contributions are deducted on a pre-tax basis. In 2010, a subscriber with single coverage can contribute up to \$3,050 a year to an HSA. Those covering more than one family member can contribute up to \$6,150 a year. These limits, established by the federal government and subject to change, are tied to the rate of inflation.

You can now enroll in an HSA during the year and make the full annual contribution for the year, provided you are participating in the State Health Plan Savings Plan on or before December 1. The Tax Relief and Health Care Act of 2006 allows contributions to be made up to the contribution maximum for individuals who become eligible for an HSA mid-year, **as long as they continue to be an eligible individual for 12 months beginning with the last month in the year in which the individual became an eligible individual.**

A subscriber age 55 and older may make "catch-up" contributions to an HSA. In 2010, that subscriber can contribute \$1,000 above the limit.

How do I enroll?

Once you are enrolled in the State Health Plan Savings Plan, enrolling in an HSA is a two-step process. First, you must complete the MoneyPlu\$ enrollment form, choosing the Health Savings Account (Section A of the form). Return this form to your BA. Next, you must open your HSA custodial bank account. Go to the EIP's Web site at www.eip.sc.gov. From there, simply click on the "Open HSA Bank Account" link on the Links page and follow the instructions. Once completed, print out and sign the application and submit it, along with copies of two forms of ID, to the HSA Operations address listed on the application. Accounts are usually opened within two days of receipt of the application.

How may I change my HSA contribution amount?

You may change the amount you contribute to your MONEYPLU\$ HSA through payroll deduction monthly. To change your HSA contribution, contact your benefits administrator. You will need to complete a MONEYPLU\$ Enrollment Form.

How do I get funds out of my HSA?

After enrolling in the HSA, your contributions will be sent to the custodian, The National Bank of South Carolina (NBSC), an affiliate of Synovus Financial Corp. NBSC will establish an individual account for you and mail up to two VISA® debit cards to your home address at no charge. You may order additional cards at \$4 each or a starter supply of checks by contacting NBSC at 1-877-367-4HSA (4472). You may use the debit card or checks to get funds out of your HSA.

Note: You cannot use your debit card at an ATM. If you choose to use your debit card, you will need to sign for the transaction like a credit card transaction. Remember, as long as you are taking funds out for qualified medical expenses incurred on or after the HSA was established, there are no taxable consequences to you. However, if you withdraw funds for ineligible expenses, you have to pay taxes and penalties on those funds, unless you reimburse your HSA for the ineligible amount.

¹ Please consult your tax advisor or IRS Publication 502 with questions regarding these expenses, qualified health plans, and tax information.

Remember, only MONEYPLU\$ limited-use Medical Spending Accounts are available to HSA participants.

Will I be charged any banking or custodial fees?

Yes, NBSC will charge \$1 per month to your HSA. If you prefer to pay a \$10 annual fee instead, contact NBSC within 60 days of account opening. (The \$1 monthly fee or \$10 annual fee can be waived with an account balance of \$2,500.) This fee includes the VISA® debit card, all transaction fees associated with the card, a starter supply of checks (call NBSC to order them), monthly statements and other banking services. There is a \$0.35 charge to process each check you write to get funds from your HSA. NBSC will deduct these fees automatically from your HSA. Other fees may apply, including fees for insufficient funds. Refer to your HSA Disclosure Statement for more information. You will receive this statement after enrolling in your HSA. Additionally, FBMC will charge a monthly \$1 administrative fee.

Are my HSA funds invested?

Your funds will be held initially in an interest-bearing checking account at NBSC. Synovus Securities, Inc. (SSI), an affiliate of NBSC, will provide the brokerage service. The bank can provide you with applicable interest rates for HSAs (these rates are subject to change). As your account balance grows, you may be eligible to invest your funds in other types of investments. NBSC will communicate these investment and brokerage opportunities when your HSA balance reaches \$3,500, and you become eligible.

Are there any special tax forms or tax reporting that I must complete when filing my income taxes?

NBSC will send your tax filing information, after the end of the tax year, for your use in reporting your contributions to your HSA and to report any withdrawals or distributions from your HSA. It is important that you save receipts, invoices and any explanations of benefits received from your health insurance carrier as documentation in case you are ever asked to show proof of qualified medical expenses to the IRS.

What if I exceed the annual contribution limits established by the IRS?

Fringe Benefits Management Company (FBMC) will monitor your HSA contributions and send an alert to your benefits administrator, advising that you are exceeding your contribution limits. You may decrease or stop your contributions accordingly, but the best way to ensure that you do not exceed the annual contribution limits is to elect a per-pay-period contribution that ensures you will not exceed the annual limits (\$3,050 for single coverage and \$6,150 for family coverage in 2010). Of course, you can add the "catch-up" contribution amount to these annual limits if you are age 55 or older. The catch-up contribution for 2010 is \$1,000.

May I have a MONEYPLU\$ HSA and Spending Account?

Yes, subscribers may enroll in a MONEYPLU\$ limited-use Medical Spending Account to pay certain eligible expenses. The limited-use Medical Spending Account may be used to pay expenses not covered by the Savings Plan, including dental and vision care expenses. For more information, refer to the MONEYPLU\$ Medical Spending Account section in your *MONEYPLU\$ Tax-favored Accounts Guide*. MONEYPLU\$ Dependent Care Spending Account eligibility is not affected by your HSA participation.

For more information contact:



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NBSC
1241 Main Street
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1-877-367-4HSA

FBMC

Premier Benefits Solutions

Contract Administrator
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